

ENTERPRISE ZONES ANNUAL REPORT FY 2016

MISSOURI DEPARTMENT
OF ECONOMIC DEVELOPMENT



Department of Economic Development

TABLE OF CONTENTS

SUMMARY	3
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PROGRAM DESCRIPTION	4
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MISSOURI ECONOMIC IMPACT	5
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GEOGRAPHIC DISTRIBUTION	6-7
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EXHIBIT - A	8
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SUMMARY

Sections 135.200 to 135.270, RSMo

- The first Enterprise Zone (EZ) program was established in Missouri in 1982 as a means to allow local governments the option to provide tax abatement to companies locating or expanding in a designated distressed and blighted area known as an “enterprise zone”. A state tax credit was coupled with the EZ as an entitlement based upon jobs and investment. The tax credit had no cap.
- Pursuant to SB 1155 (2004), the EZ tax benefit program was sunset and is being phased out of existence. The established EZ zones in place prior to the sunset were allowed to run their full 25 year course. The same bill replaced the EZ with the Enhanced Enterprise Zone (EEZ) program which allowed the same local tax abatement feature along with a discretionary tax credit program which with an annual cap. In 2013 HB 184 replaced the Enhanced Enterprise Zone program with the Missouri Works program (Zone Works).
- While the initial EZ zones are expiring, the established Enhanced Enterprise Zones will continue with their 25 year life span before their respective expiration dates. The amended statute still provides the authority to local governments to establish zones. Any new zone or existing zone created under EEZ retains the ability to access state tax credits under the “Zone Works” category of the Missouri Works Program, for new business locations and existing business expansions.
- This statutory annual report relates to only the zones and tax credit activity established under the original Enterprise Zone (EZ) Program. There are separate statutory reporting requirements for Missouri Works.

PURPOSE

To provide tax incentives which promote and facilitate the expansion of new and/or existing businesses in Missouri’s many enterprise zones.

PROGRAM DESCRIPTION

The eligible project must be located in one of Missouri's "enterprise zones."

Enterprise zones are specified geographic areas as set forth by statute and certified by the Department of Economic Development (DED). Designations are based on demographic eligibility and approval of a request by the local government. The number of zones that may be certified is limited by law.

Facility eligibility is determined by its primary Standard Industrial Classification (SIC) or North American Industrial Classification System (NAICS) code, and includes manufacturing,

warehousing, wholesale distribution, mining, insurance, research and development, recycling operations, computer-related services, and certain office activities.

To receive credits, a facility must create at least two new jobs and make a new investment equal to or in excess of \$100,000 (\$1,000,000 for replacement facilities) in the claimed year as compared to the base year (the year prior to a facility's commencement of operations). The investment credits are based

on the original cost of machinery, equipment, furniture, fixtures, land and building, and/or eight times the annual rental rate paid for the same, excluding inventory.

Credits may be issued for each of ten years after the commencement of operations, unless the life of the enterprise zone expires first. Local property tax abatement, a state income tax exemption, and state income tax credits may be provided as business incentives, based on the following factors:

- *new jobs created at the facility;*
- *enterprise zone residents employed by the facility;*
- *employees classified as "difficult to employ", or special;*
- *training for zone residents or employees classified as difficult to employ; and*
- *the amount of new investment at the qualifying facility.*

MISSOURI ECONOMIC IMPACT

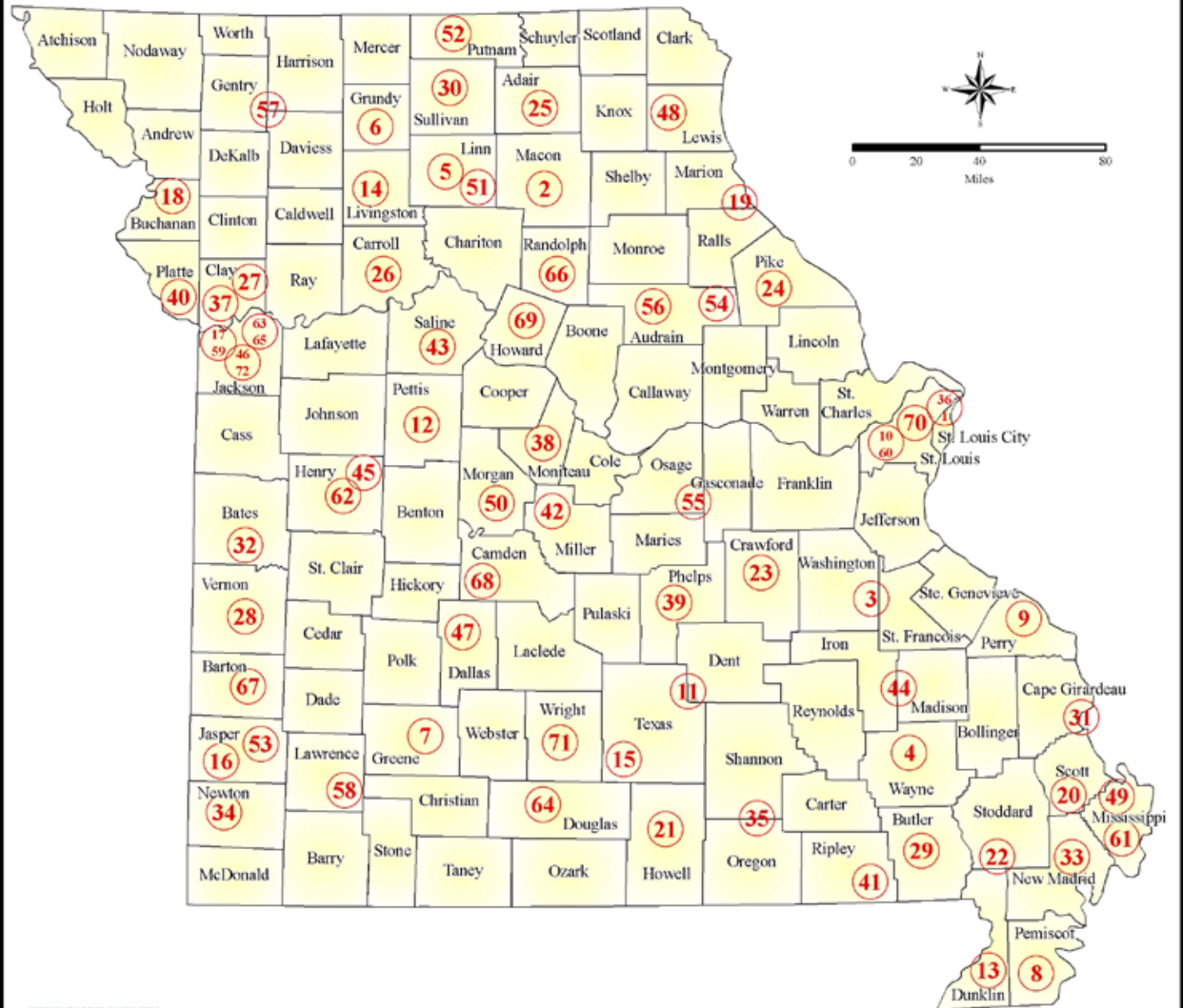
As evidence that the Enterprise Zone program is winding down, the Department of Economic Development issued no tax credits in fiscal year 2016. No new jobs were created or investment reported for the Enterprise Zone program during this fiscal year.

The overall state unemployment rate has decreased over the past year to 4.5 percent at fiscal year end, down from 5.0 percent in June 2015. This places Missouri's unemployment rate slightly below the fiscal year end national unemployment rate, which was 4.9 percent.

MISSOURI ENTERPRISE ZONE PERFORMANCE

The number of businesses participating in the program continues to decrease, due primarily to zone and benefit expirations. As of June 30, 2016, only five (5) enterprise zone designations remain unexpired. All zones will expire by December 30, 2019. Because the MO Enterprise Zone program is sunset, the Department expects to see limited impact as zones continue to expire.

Missouri Enterprise Zones Locations



ZONES EXPIRED

AS OF 06/30/2016

- | | |
|--|---|
| 1. St. Louis Midtown | 35. Shannon County |
| 2. Macon, Macon Co./Callao/Bevier | 36. St. Louis Satellite |
| 3. Washington Co./St Francois Co./ Potosi | 37. Clay County |
| 4. Wayne County/Greenville/Piedmont | 38. California |
| 5. Brookfield | 39. Rolla |
| 6. Trenton | 40. Kansas City Satellite #1 |
| 7. Springfield | 41. Ripley County |
| 8. Pemiscot | 42. Miller County |
| 9. Perryville | 43. Marshall |
| 10. Wellston | 44. Madison Co./Iron Co./Fredericktown/Ironton |
| 11. Dent Co./Texas Co./Salem/Licking/Houston | 45. Windsor/Henry Co./Pettis Co. |
| 12. Sedalia | 46. Kansas City Satellite #2 |
| 13. Kennett | 47. Dallas County/Bufalo |
| 14. Chillicothe | 48. Lewis County |
| 15. Cabool | 49. Mississippi County |
| 16. Joplin Area/Webb City | 50. Morgan County |
| 17. Kansas City | 51. Marceline |
| 18. St. Joseph/Buchanan Co. | 52. Putnam County |
| 19. Hannibal | 53. Carthage |
| 20. Sikeston | 54. Vandalia |
| 21. Howell County/West Plains/Willow Springs | 55. Gasconade Valley |
| 22. Dunklin Co./Stoddard Co./Malden/Dexter | 56. Mexico |
| 23. Cuba/Steelville/Crawford Co. | 57. Daviess Co./Gentry Co./Harrison Co. |
| 24. Pike | 58. Aurora |
| 25. Kirksville | 59. Kansas City Federal Enterprise Community |
| 26. Carrollton | 60. St. Louis/Wellston Federal Enterprise Community |
| 27. Excelsior Springs | 61. East Prairie Federal Enterprise Community |
| 28. Nevada/Vernon County | 62. Clinton |
| 29. Poplar Bluff/Butler Co. | 63. Independence |
| 30. Milan/Sullivan County | 64. Ava |
| 31. Cape Girardeau/Cape Girardeau Co. | 65. Independence Satellite |
| 32. Butler | 66. Moberly |
| 33. New Madrid | 67. Lamar |
| 34. Neosho | |

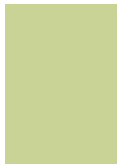
Exhibit A: Economic Impact of Still Active Missouri Enterprise Zones, Fiscal Year 2016**Economic Impact of Active Missouri Enterprise Zones, Fiscal Year 2016****No credits were issued in FY 2016.**

Active Zones - Number and Name	Number of Facilities	Net New Investment from Previous FY ³	Net New Jobs ³	Zone Residents ¹	Special Employees ²	Total Credit Issued FY 2016
68. Camden County						
69. Fayette						
70. North St. Louis County						
71. Wright county						
72. Independence Satellite Zone II - Southeast						
Totals:	-	-	-	-	-	-

¹ Indicates employees living in an area designated an active enterprise zone.² Employees were eligible for MO General Relief program, Temporary Assistance Program, or were unemployed at least 3 months prior to being hired at the facility.³ Net new investment and net new jobs are calculated by comparing the previous year new investment and new jobs to current year new investment and new jobs for the businesses issued tax credits in the reporting year.



Department of Economic Development



Department of Economic Development
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